*The Honorable Laura M. Montoya*
*THE NEW MEXICO STATE TREASURER'S OFFICE*

# Local Government Investment Pool NEWSLETTER

*August 2026*

## PORTFOLIO SUMMARY

- Ending June market value for the LGIP Short Term (ST) was $2.420 bil versus May's reported closing value of $2.421 bil.
- The LGIP ST maintains a AAAm rating by Standard & Poor's.

## PORTFOLIO MIX

- At the end of June, the portfolio was invested as follows: 40% in US Treasury securities, 20% in US government agency securities, 22% in repurchase agreements and 18% in collateralized demand deposit accounts with qualified banking institutions.
- At month-end, the LGIP ST held positions in 48 securities.

## INVESTMENT EARNINGS

- During June, the fund earned $7,229,627.
- For FY2026, the fund earned $91,363,468.
- LGIP ST earnings are retained by participants after a management fee of 0.05% is paid to the General Fund.

## PERFORMANCE

- Gross yield on the LGIP ST was 3.71% at the end of June.
- Net yield to participants was 3.66%.

## INVESTMENT HIGHLIGHTS

- For the LGIP ST, the WAM(R) of 48 days and WAM (F) of 82 days were within their maximums of 60 and 120 days respectively.
- During the month, the LGIP ST purchased $510.0 mil US Treasury securities maturing in 2 to 9 months.

## INVESTMENT STRATEGY

- LGIP ST WAMs are currently 48 and 77 days for WAM(R) and WAM(F), respectively.
- LGIP ST will continue to focus on maximizing safety of principal and providing adequate liquidity through the use of prudent investmfents.

## NET ASSET VALUE/SHARE

- At month-end, the Net Asset Value per Share of the Local Government Investment Pool was $0.99987

## MARKET WATCH

The second quarter ushered in increased market volatility, driven by financial, economic, and geopolitical events. The period was marked by the transition from Jerome Powell to Kevin Warsh as Chair of the Federal Reserve; the ongoing war in Iran, with fragile ceasefires that quickly collapsed and caused oil prices to whipsaw; a surge in AI related business investment; and economic data indicating resilience, despite stubbornly high inflation. Chair Warsh was tested in June with his first Congressional testimonies on monetary policy as well as his first FOMC meeting as Chair – all coming on the heels May inflation data that reached a 3-year high, as measured by CPI. Chair Warsh set a hawkish tone at the press conference following the June 17 FOMC decision, at which all members voted to hold the Fed Funds range at 3.50-3.75%. He underscored that the Fed would deliver price stability. The updated Fed forecast for interest rates showed that half of the members expected a higher Fed Funds range by year end, versus the median expectation of a rate cut from the prior forecast. The result was a move higher in yields on the front end of the curve. Warsh also announced the formation of 5 task forces charged with evaluating and proposing changes to the way the Fed conducts business, from its communications to its inflation framework. This announcement, along with the reduction in forward guidance and streamlined Fed policy statement, amplified the tone of uncertainty in markets.

The July 29 FOMC meeting brought the second test to Chair Warsh. FOMC members voted to hold the policy range steady at 3.50-3.75%, with 3 dissents from members Hammack, Kashkari, and Logan, who preferred a 0.25% increase in the policy rate. Warsh cast a positive view on "unfiltered" markets that were less dependent on Fed guidance. He faced questions regarding the decision to hold rates steady given the signal from bond markets. Warsh responded that the Fed was not constrained by market prices, and that markets were already pulling back on financial conditions, given the move higher in yields since the June FOMC meeting. This opened the possibility of a more market-driven and volatile interest rate regime. In response, bond maturities 1-year and shorter fell dramatically in yield, while longer maturities were pushed higher in yield. The market was effectively saying that the Fed was already late in containing inflation.

The weighted average maturity (WAM) of the Short-Term LGIP extended from 37 days at the end of March to 48 days at the end of June. The positively sloped yield curve

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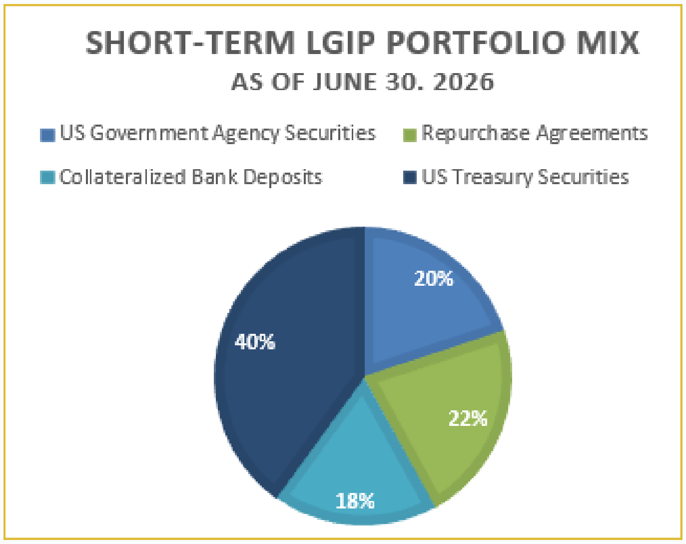
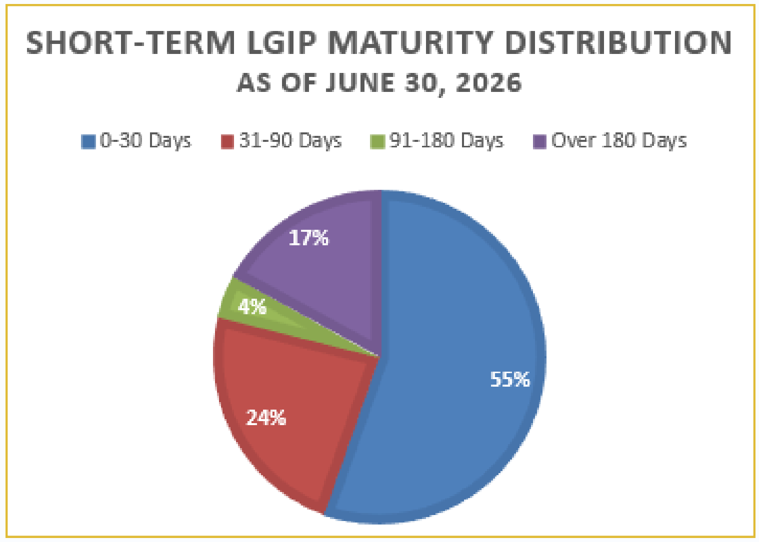
## MARKET WATCH (CONT.)

has provided opportunities for the LGIP to extend into more attractive yields. The objectives of the Short-Term LGIP remain unchanged: safety, liquidity, and yield – in that order. Preservation of principal and providing access to liquidity, in most cases within 24 hours, are the pool's primary objectives. The pool is managed within the confines of Standard & Poor's Principal Stability Fund criteria and possesses the highest possible rating, AAAm.




## NOTICE ON INACTIVE LGIP IPAS USER ACCOUNTS

IPAS user accounts that have not been accessed within the past 180 days will be automatically deactivated for security purposes. Users must contact the office to have their access reinstated. The STO website has links to LGIP participant forms, should they need to be updated, located here: https://nmsto.gov/local-government-investment-pool-lgip/. Please reach out to Amanda Padilla, LGIP Coordinator, for any updates or changes to your account documents at (505) 218-1967, or NMSTO.LGIP@sto.nm.gov.

| Data | Period* | Value | Next Period | Expected Value | Release Date* |
|---|---|---|---|---|---|
| ISM Manufacturing Index | Jun-26 | 53.3 | Jul-26 | 54.0 | 8/3/2026 |
| ISM Services Index | Jun-26 | 54.0 | Jul-26 | 54.3 | 8/5/2026 |
| U.S. Unemployment | Jun-26 | 4.20% | Jul-26 | 4.30% | 8/7/2026 |
| Change in Nonfarm Payrolls | Jun-26 | 57,000 | Jul-26 | 90,000 | 8/7/2026 |
| CPI Ex Food and Energy YoY | Jun-26 | 2.60% | Jul-26 | | 8/12/2026 |
| CPI Ex Food and Energy MoM | Jun-26 | 0.00% | Jul-26 | | 8/12/2026 |
| CPI YoY | Jun-26 | 3.50% | Jul-26 | | 8/12/2026 |
| CPI MoM | Jun-26 | -0.40% | Jul-26 | | 8/12/2026 |
| PPI YoY | Jun-26 | 5.50% | Jul-26 | | 8/13/2026 |
| PPI MoM | Jun-26 | -0.30% | Jul-26 | | 8/13/2026 |
| PCE Core Deflator YoY | Jun-26 | 3.30% | Jul-26 | | 8/26/2026 |
| PCE Core Deflator MoM | Jun-26 | 0.10% | Jul-26 | | 8/26/2026 |
| Fed Funds Target | 29-Jul-26 | 3.50%-3.75% | 16-Sep-26 | 3.75%-4.00%* | 9/16/2026 |
| GDP QoQ | Q2 2026 | 1.50% | Q3 2026 | | 10/29/2026 |
| * Market pricing approximately 67% probability of 0.25% rate hike at September FOMC as of 7/30/2026 | | | | | |
| *Data from Bloomberg as of 7/30/2026* | | | | | |

## LGIP STAFF

**Transaction Coordinator:** Amanda Padilla
**Investment Transaction Supervisor:** Hannah Chavez
**Portfolio Managers**: Anna Murphy, CFA, and Vikki Hanges, Chief Investment Officer